

NEW APPLICATION
ORIGINAL

Lance J.M. Steinhart, P.C.
Attorney At Law
1720 Windward Concourse
Suite 115
Alpharetta, Georgia 30005



0000109152

Also Admitted in New York
and Maryland

Telephone: (770) 232-9200
Facsimile: (770) 232-9208
Email: lsteinhart@telecomcounsel.com

April 2, 2010

VIA OVERNIGHT DELIVERY

Docket Control Center
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007
(602) 542-2237

T-20734A-10-0128

Re: Application of DSI-ITI, LLC for Authorization to
Encumber and/or Mortgage its Assets

Dear Sir/Madam:

Enclosed please find for filing an original and thirteen (13) copies of DSI-ITI, LLC's
Application of DSI-ITI, LLC for Authorization to Encumber and/or Mortgage its Assets.

I have also enclosed in a diskette with electronic copies of the Application in
MSWord and PDF formats, as well as an extra copy of this letter to be date stamped and
returned to me in the enclosed, self-addressed, postage prepaid envelope.

If you have any questions, or if I may provide you with any additional information,
please do not hesitate to contact me. Thank you for your attention to this matter.

Respectfully submitted,

Lance J.M. Steinhart
Attorney for DSI-ITI, LLC

Arizona Corporation Commission

DOCKETED

APR 5 2010

DOCKETED BY

Enclosures

cc: David B. Silverman, Esq.

ARIZONA CORPORATION
COMMISSION
DOCKET CONTROL

2010 APR -5 P 12:06

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER

Chairman

WILLIAM A. MUNDELL

Commissioner

MIKE GLEASON

Commissioner

KRISTIN K. MAYES

Commissioner

BARRY WONG

Commissioner

In the Matter of the Application of
DSI-ITI, LLC for Authorization to
Encumber and/or Mortgage its Assets

)
)
)
)
)

Docket No. _____

APPLICATION OF DSI-ITI, LLC

DSI-ITI, LLC ("DSI" or "Applicant"), through its undersigned counsel and pursuant to A.R.S. § 40-285 and the rules of the Arizona Corporation Commission ("Commission"), hereby requests such Commission approval as may be necessary for DSI to encumber and/or mortgage its assets in connection with certain debt issuance financing arrangements. Specifically, DSI will act as a guarantor on certain secured credit facilities and term loan agreements (the "Credit Facilities") under which its parent company, Global Tel*Link Corporation ("GTL"), is the borrower. as described herein. The Credit Facilities of GTL were previously approved by this Commission. In addition, DSI is also filing an Application for a Certificate of Convenience and Necessity for Customer Owned Pay Telephone Providers (the "CCN Application"), and an

Application for the Sale of Assets for Customer Owned Pay Telephone Providers (the Sale of Assets Application") . The CCN Application and the Sales of Assets Application are being filed in connection DSI's purchase of substantially all of the assets of ITI Inmate Telephone, Inc (the "Transaction"). DSI, therefore, requests approval to grant a security interest in substantially all of its assets in support of the Transaction (the "Asset Pledge").

Applicant emphasizes that the Transaction and the Asset Pledge for which approval is sought are all financial in nature and will not affect the technical or managerial qualifications of DSI or directly affect DSI's services to customers in Arizona. As financial transactions, the Asset Pledge will not affect the day-to-day operations of DSI or change any of the rates, terms or conditions under which DSI provides services.

The public interest will be best served by the expeditious approval of this Application. The additional financing which DSI will receive as a result of the Transaction will reinforce the financial strength of DSI, allow DSI to consummate the Transaction. Important business considerations require that the Transaction described herein be completed as soon as possible. Accordingly, Applicant respectfully requests that the Commission approve this Application on an expedited emergency basis.

In support of this Application, Applicant further states as follows:

I. The Parties

A. DSI-ITI, LLC

DSI is a privately-held Delaware limited liability company whose principal offices are located at 2609 Cameron Street, Mobile, Alabama 36607. DSI is a wholly-owned direct subsidiary of Global Tel*Link Corporation ("GTL"), which is the sole managing member of DSI. DSI will be engaged in the business of providing managed telecommunications services to inmates of state and county departments of corrections and in owning and operating prison payphones and public payphones. DSI has contemporaneously filed an Application for Certificate of Convenience and Necessity to provide Customer Owned Pay Telephone Service in the State of Arizona. These services will enable inmates to communicate with friends, family members, legal counsel and other approved parties outside the correctional facilities.

B. Global Tel*Link Corporation

GTL is a privately-held Delaware corporation whose principal offices are located at 2609 Cameron Street, Mobile, Alabama 36607. GTL is a wholly-owned direct subsidiary of GTEL Holdings, Inc. GTL is engaged in the business of providing managed telecommunications services to inmates of state and county departments of corrections and in owning and operating prison payphones and public payphones. These services enable inmates to communicate with friends, family members, legal counsel and other approved parties outside the correctional facilities. GTL provides these services throughout most of the continental United States. GTL was granted a Certificate of Convenience and Necessity to Provide Customer-Owned Pay Telephone Services on December 20, 1995 (Docket No. U-2871-95-108, Decision No. 59429). GTL currently

provides managed inmate services in the State of Arizona. The Transaction will have no effect on GTL's current rates, terms, or conditions for its managed inmate services in the State of Arizona.

C. GTEL Holdings, Inc.

GTEL Holdings, Inc. is a privately held Delaware corporation whose principal offices are located at 2609 Cameron Street, Mobile, Alabama 36607. GTEL Holdings is a holding company, whose only business activities are conducted through GTL. GTEL Holdings is a wholly owned direct subsidiary of GTEL Acquisition Corp.

D. GTEL Acquisition Corp.

GTEL Acquisition Corp. is a privately held Delaware corporation whose principal offices are located at 590 Madison Avenue, 41st Floor, New York, New York 10022. GTEL Acquisition Corp. is a holding company, whose only business activities are conducted through GTL. GTEL Acquisition Corp. is wholly owned by GTEL Holding LLC, a privately held Delaware limited liability company whose principal offices are located at 590 Madison Avenue, 41st Floor, New York, New York 10022.

E. GTEL Holding LLC

GTEL Holding LLC is controlled by a board of managers including the CEO of GTL and other managers appointed by The Veritas Capital Fund III, L.P. and GS Direct, L.L.C. The Veritas Capital Fund III, L.P. is a private equity investment partnership managed by its sole general partner, Veritas Capital Partners III, L.L.C., a Delaware limited liability company. Veritas Capital Partners III, L.L.C. is controlled by its managing member, Robert B. McKeon, the managing member of Veritas Capital Fund Management, L.L.C., d/b/a Veritas Capital. Veritas Capital is a private equity investment firm headquartered in New York. Founded in 1992, Veritas Capital invests in a broad range of companies through buyouts, growth capital investments, and leveraged recapitalizations. The firm's primary objective is to partner with experienced management teams to develop leading companies in their respective markets. In addition to providing long-term capital, the firm works closely with its management partners in creating and executing a well-defined strategic plan that exploits a company's core competencies as well as attractive industry dynamics. Principals at Veritas Capital bring long term investing experience through a variety of economic conditions allowing the firm to apply its skills and capital to a broad spectrum of industries. However, Veritas Capital has developed specific expertise in the defense, aerospace, government services, media/telecommunications, consumer products, and specialty manufacturing industries.

The Goldman Sachs Group, Inc. owns all of the equity interests in GS Direct, L.L.C. All of the limited partner equity interests in Goldman, Sachs & Co. are held directly or indirectly by The Goldman Sachs Group, Inc., and The Goldman, Sachs & Co. L.L.C. controls Goldman, Sachs & Co. as its sole general partner. All of the equity

interests (voting and non-voting) in The Goldman, Sachs & Co. L.L.C. are held by The Goldman Sachs Group, Inc., which is a public company listed on the New York Stock Exchange. GS Direct, L.L.C. invests capital primarily alongside corporate and sponsor clients in situations in which access to its or its affiliates' capital, relationships or advisory services can enhance the value of the investment. The Goldman Sachs Group, Inc., a bank holding company, provides investment banking, securities, and investment management services primarily to corporations, financial institutions, governments, and high-net-worth individuals worldwide.

F. ITI Inmate Telephone, Inc.

ITI is a privately-held Pennsylvania corporation whose principal offices are located at 5000 Sixth Avenue, Altoona, Pennsylvania 16602. ITI is engaged in the business of providing inmate telephone and telecommunications services and related services to jails, prisons, correctional facilities and other types of confinement facilities (whether public, private or otherwise) and probation departments, including, but not limited to, the installation, operation, servicing and maintenance of non-coin operated, web-based inmate telephone systems, offender management systems, inmate call tracking systems, inmate call data mining investigative tools, kiosk-based debiting systems for inmate commissaries, and other inmate-related or probationer-related information management systems (such business, collectively, the "Business"). ITI provides these services in approximately 25 states. ITI was granted a Certificate of Convenience and Necessity to Provide Customer-Owned Pay Telephone Services on April 7, 2009 (Docket No. T-20608A-08-0389, Decision No. 70949).

II. Designated Contacts

The designated contacts for questions concerning this Petition are:

Lance J.M. Steinhart
Lance J.M. Steinhart, PC
1720 Windward Concourse, Suite 115
Alpharetta, Georgia 30005
(770) 232-9200 (Telephone)
(770) 232-9208 (Fax)
lsteinhart@telecomcounsel.com (E-Mail)

Attorney for DSI-ITI, LLC

and

Thomas J. Navin
Attorney at Law
Wiley Rein LLP
1776 K Street, NW
Washington, DC 20006
(202) 719-7487 (Telephone)
(202) 719-7049 (Fax)
tnavin@wileyrein.com (E-Mail)

Attorneys for ITI Inmate Telephone, Inc.

III. Description of the Transactions

ITI and DSI have entered into an Asset Purchase Agreement and Plan of Asset Transfer dated March 16, 2010 (the "Asset Purchase Agreement"). Pursuant to the terms of the Asset Purchase Agreement, DSI will purchase substantially all of ITI's assets used in the operation of its inmate phone business (the "Business"), and DSI will assume certain liabilities of ITI in connection therewith. In connection with the Transaction, DSI will pledge its assets in connection with the Credit Facilities.

The Transaction will ensure continuity of service to the prison system and its inmates. Since the Business involves only the provision and operation of payphones, and of managed calling services originating from payphones, the transfer of the Business will not entail any change in any end user's local exchange service or presubscribed toll service, and the parties who make and receive calls through the Business's managed calling services form an ever-changing group as the prison population changes. Accordingly, no notification of customers making use of the managed telecommunications services is necessary or practical. ITI is not retaining any customers. ITI does not wish to maintain its existing certification in the State of Arizona. Personnel of the correctional facilities are being notified of the transaction and of the assignment or novation of contracts entailed in the transaction.

The proposed transaction will not entail any transfer of certifications or changes in the ownership or corporate structure of any of the Applicants.

IV. Public Interest Analysis

The public interest will be best served by the approval of this Application. Applicant emphasizes that the Asset Pledge for which approval is sought is all financial in nature. The Asset Pledge will not affect the technical or managerial qualifications of DSI or directly affect DSI's services to customers in Arizona. Furthermore, the Asset pledge will not involve the issuance of stock and the existing DSI owners will continue to hold their existing ownership interests. As a financial transaction, the Asset Pledge will not affect the day-to-day operations of DSI or change any of the rates, terms or conditions under which DSI will provides service. Important business considerations require that the Transaction described herein be completed as soon as possible. Accordingly, DSI respectfully requests that the Commission process this request on an expedited basis.

V. Relief Requested

WHEREFORE, Applicant respectfully requests that the Commission Authorize the pledge, mortgage, lien, and/or encumbrance of the assets of DSI in connection with the Credit Facilities and Transaction described herein.

VI. Conclusion

For the reasons stated above, Applicant respectfully submits that the public interest, convenience, and necessity would be furthered by a grant of this Application on an expedited, emergency basis.

Respectfully Submitted,

DSI-ITI, LLC

By: 

Lance J.M. Steinhart
Attorney at Law
Lance J.M. Steinhart, PC
1720 Windward Concourse
Suite 115
Alpharetta, GA 30005
(770) 232-9200 (Telephone)
(770) 232-9208 (Fax)
lsteinhart@telecomcounsel.com (E-Mail)

Its Attorney

ITI Inmate Telephone, Inc.

By: 

Thomas J. Navin
Attorney at Law
Wiley Rein LLP
1776 K Street, NW
Washington, DC 20006
(202) 719-7487 (Telephone)
(202) 719-7049 (Fax)
tnavin@wileyrein.com (E-Mail)

Its Attorneys

Dated: April 2, 2010

Original and 13 copies of the foregoing deposited with FedEx for overnight delivery this 2nd day of April, 2010, with:

The Arizona Corporation Commission
Utilities Division – Docket Control
1200 W. Washington Street
Phoenix, Arizona 85007

Copy of the foregoing with FedEx for Overnight delivery this 2nd day of April, 2010, to:

Christopher Kempley, Chief Counsel
Legal Department
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Ernest Johnson, Director
Utilities Division
1200 W. Washington Street
Phoenix, Arizona 85007

Lyn Farmer, Chief Administrative Law Judge
Hearing Division
1200 W. Washington Street
Phoenix, Arizona 85007

VERIFICATION

VERIFICATION

I, Teresa L. Ridgeway, state that I am Secretary of DSI-ITI, LLC, an Applicant in the foregoing Application; that I am authorized to make this Verification on behalf of DSI-ITI, LLC; that the foregoing Application was prepared under my direction and supervision; and that the contents pertaining to DSI-ITI, LLC are true and correct to the best of my knowledge, information, and belief.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 16th day of March, 2010.

A handwritten signature in black ink, appearing to read "Teresa L. Ridgeway", written over a horizontal line.

Teresa L. Ridgeway
Secretary
DSI-ITI, LLC